

Nictus Limited
(Nictus or the company)
(Incorporated in the Republic of South Africa)
Registration number RSA: 81/011858/06
Registration number NAM: 781/11858
JSE Share code: NCS
ISIN number: NA0009123481
www.nictuslimited.co.za

Condensed consolidated interim financial statements
for the six months ended 30 September 2018

Condensed consolidated statement of financial position
at 30 September 2018

Figures in R'000	Unaudited 30 Sept 2018	Unaudited 30 Sept 2017	Audited 31 March 2018
Assets			
Non-current assets	51 934	59 884	37 916
Property, plant and equipment	18 096	17 411	18 051
Intangible assets	647	153	118
Investments	26 271	35 734	11 340
Deferred tax assets	3 212	2 307	3 020
Loans and receivables	3 708	4 279	5 387
Current assets	565 376	570 009	602 390
Total assets	617 310	629 893	640 306
Equity and liabilities			
Equity	102 929	100 843	102 727
Stated capital	48 668	48 668	48 668
Revaluation reserve	7 983	7 983	7 983
Retained earnings	46 278	44 192	46 076
Liabilities			
Non-current liabilities	2 583	2 371	2 400
Deferred tax liabilities	2 583	2 371	2 400
Current liabilities	511 798	526 679	535 179
Total liabilities	514 381	529 050	537 579
Total equity and liabilities	617 310	629 893	640 306

Condensed consolidated statement of profit or loss and other
comprehensive income
for the six months ended 30 September 2018

Figures in R'000	Unaudited Six months ended 30 Sept 2018	Unaudited Six months ended 30 Sept 2017	Audited year ended 31 March 2018
Revenue	22 454	22 395	47 361
Cost of sales	(11 154)	(11 756)	(26 470)
Gross profit	11 300	10 639	20 891
Other income	752	1 156	2 259
Investment income from operations	22 219	23 007	42 505
Operating and administrative expenses	(33 984)	(32 952)	(65 386)
Results from operating activities	287	1 850	269
Investment income	2 167	2 239	4 601
Profit before taxation	2 454	4 089	4 870
Taxation (expense)/credit	(305)	(561)	542
Profit for the period	2 149	3 528	5 412
Other comprehensive income for the period	-	-	-
Total comprehensive income for			

the period	2 149	3 528	5 412
Profit attributable to:			
Owners	2 149	3 528	5 412
Total comprehensive income attributable to:			
Owners	2 149	3 528	5 412
Basic earnings per share (cents)	3,24	5,32	8,17
Diluted basic earnings per share (cents)	3,24	5,32	8,17
weighted average number of shares in issue ('000s)	66 270	66 270	66 270

Condensed consolidated statement of cash flows
for the six months ended 30 September 2018

	Unaudited Six months ended 30 Sept 2018	Unaudited Six months ended 30 Sept 2017	Audited year ended 31 March 2018
Figures in R'000			
Cash flows from operating activities			
Cash utilised by operations (note 7)	(48 135)	(3 642)	(23 070)
Investment income received from operations	20 186	21 332	40 709
Dividends received	793	756	1 796
Dividends paid	(1 988)	(1 988)	(1 988)
Tax paid	-	(250)	(1 109)
Net cash (utilised by)/generated from operating activities	(29 144)	16 208	16 338
Cash flows from investing activities			
Acquisition of property, plant and equipment	(309)	(13)	(875)
Acquisition of intangible assets	(663)	(145)	(145)
Acquisition of investments	(13 691)	(12 753)	(35 126)
Investment income received	2 167	2 239	4 601
Short-term funds disinvested	9 539	2 142	46 781
Loans repaid by related party	6 949	1 374	540
Net cash generated from/(utilised by) investing activities	3 992	(7 156)	15 776
Total cash movement for the period	(25 152)	9 052	32 114
Cash and cash equivalents at the beginning of the period	89 717	57 603	57 603
Total cash and cash equivalents at the end of the period	64 565	66 655	89 717

Condensed consolidated statement of changes in equity for the six months
ended 30 September 2018

	Stated capital	Revaluation reserve	Retained earnings	Total equity
Figures in R'000				
Balance at 1 April 2017	48 668	7 983	42 652	99 303
Total comprehensive income for the period				
Profit for the period	-	-	3 528	3 528
Total comprehensive income for the period	-	-	3 528	3 528
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	-	-	(1 988)	(1 988)
Total transactions with the owners of the company	-	-	(1 988)	(1 988)

Balance at 30 September 2017	48 668	7 983	44 192	100 843
Total comprehensive income for the period				
Profit for the period	-	-	1 884	1 884
Total comprehensive income for the period	-	-	1 884	1 884
Balance at 31 March 2018	48 668	7 983	46 076	102 727
Total comprehensive income for the period				
Profit for the period	-	-	2 149	2 149
Total comprehensive income for the period	-	-	2 149	2 149
Transactions with the owners of the company				
Distributions to the owners of the company				
Dividends paid	-	-	(1 988)	(1 988)
Prescribed dividends	-	-	41	41
Total transactions with the owners of the company	-	-	(1 947)	(1 947)
Balance at 30 September 2018	48 668	7 983	46 278	102 929

Condensed segmental report
for the six months ended 30 September 2018

	Unaudited Six months ended 30 Sept 2018	Unaudited Six months ended 30 Sept 2017	Audited year ended 31 March 2018
Figures in R'000			
Segment assets			
Furniture retail	51 074	64 945	70 391
Insurance and finance	567 803	598 035	609 636
	618 877	662 980	680 027
Head office and eliminations	(1 567)	(33 087)	(39 721)
	617 310	629 893	640 306
Segment revenue			
Furniture retail	18 221	20 006	43 543
Insurance and finance	4 968	3 099	5 150
	23 189	23 105	48 693
Head office and eliminations	(735)	(710)	(1 332)
	22 454	22 395	47 361
Net (loss)/profit for the period			
Furniture retail	(417)	548	1 168
Insurance and finance	2 152	2 004	1 896
	1 735	2 552	3 064
Head office and eliminations	414	976	2 348
	2 149	3 528	5 412

Reconciliation between earnings and headline earnings
for the six months ended 30 September 2018

Figures in R'000	Profit on ordinary activities	Taxation	Net profit
Unaudited - Six months ended 30 September 2018			
Profit for the period	2 454	(305)	2 149
Headline earnings	2 454	(305)	2 149
Headline earnings per share (cents)	3,24		

Diluted headline earnings per share (cents)	3,24		
Unaudited - Six months ended 30 September 2017			
Profit for the period	4 089	(561)	3 528
Adjustments for:			
Loss on disposal of property, plant and equipment	6	(2)	4
Headline earnings	4 095	(563)	3 532
Headline earnings per share (cents)	5,33		
Diluted headline earnings per share (cents)	5,33		
Audited - Year ended 31 March 2018			
Profit for the year	4 870	542	5 412
Adjustments for:			
Loss on disposal of property, plant and equipment	6	(2)	4
Headline earnings	4 876	540	5 416
Headline earnings per share (cents)	8,17		
Diluted headline earnings per share (cents)	8,17		

Notes to the financial information for the six months ended 30 September 2018

1. Basis of preparation

The condensed consolidated interim financial statements (interim financial statements) are prepared in accordance with International Financial Reporting Standards, IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. Significant standards and interpretations that were effective as of 1 April 2018 included IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15). The group and insurance subsidiary are eligible and have elected the temporary exemption from IFRS 9. The adoption of IFRS 15 did not have a significant impact on the timing and value of revenue recognised as anticipated and disclosed in the previous annual financial statements.

The interim financial statements are presented in thousands of South African Rand (R'000) on the historical cost basis, except held-for-trading investments which are measured at fair value and land and buildings held for administrative purposes which are measured at revalued amounts.

The interim financial statements for the period ended 30 September 2018, together with the statements regarding the prospects of the group, have not been audited by the group's auditor.

The interim financial statements as reported herein have been prepared by the group financial director of Nictus Limited, Eckhart H Prozesky CA(SA).

2. Directors' responsibility

The directors take full responsibility for the preparation of the interim financial statements.

3. Related parties

During the period, certain companies within the group entered into transactions with each other. These intra-group transactions have been eliminated on consolidation. Related parties are unchanged from those reported at 31 March 2018. Refer to the 2018 audited financial statements for further

information, accessible on the Nictus website.

4. Events after reporting date

There were no events after the reporting date and up to the date of approval of these interim financial statements that affected the presentation of the interim financial statements for the period ended 30 September 2018, apart from the approval and subsequent implementation of the specific repurchase on 12 November 2018, in terms of sections 4, 48(8)(b) and 114 of the Companies Act, read together with sections 115 and 164, the JSE Listings Requirements and Nictus' Memorandum of Incorporation, by Nictus Limited of 12 826 440 (constituting 19,35% of the total ordinary shares in issue) from Nictus Holdings Limited (a related party) for a consideration of R7 471 401,30.

5. Changes to the board

Gerard R de V Tromp, Eckhart H Prozesky and Barend J Willemse (Johan) were re-elected as directors of Nictus Limited at the annual general meeting held on 22 August 2018.

Cornelius Johannes de Vrye was appointed as an independent non-executive director effective 1 November 2018.

6. Dividend

No interim dividend has been declared.

The board declared a final dividend of 3 cents per ordinary share for the year ended 31 March 2018 on 29 June 2018, to all ordinary shareholders recorded in the books of Nictus Limited at the close of business on Friday, 20 July 2018. The dividend was paid on Monday, 23 July 2018.

7. Cash utilised by operations

	Unaudited Six months ended 30 Sept 2018	Unaudited Six months ended 30 Sept 2017	Audited year ended 31 March 2018
Figures in R'000			
Profit before taxation	2 454	4 089	4 870
Adjustments for:			
Depreciation of property, plant and equipment	264	225	447
Loss on disposal of property, plant and equipment	-	6	6
Amortisation of intangible asset	134	93	128
Dividend income	(793)	(756)	(1 796)
Investment income	(2 167)	(2 239)	(4 601)
Investment income from operations	(20 186)	(21 332)	(40 709)
Profit on disposal of investments	(895)	(1 522)	(3 841)
Fair value adjustments on investments	(345)	603	4 865
Changes in working capital:			
(Increase)/decrease in inventories	(1 000)	(871)	291
Increase in trade and other receivables	(1 947)	(14 310)	(24 880)
(Decrease)/increase in trade and other payables	(3 874)	(4 173)	137
(Decrease)/increase in insurance contract liability	(19 780)	36 545	42 013
	(48 135)	(3 642)	(23 070)

8. Determination and disclosure of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Property, plant and equipment

The fair value of land and buildings is estimated by using a combination of

the income capitalisation method and the depreciated replacement value method. This method requires the net annual income generated by the property, based on market trends, to be capitalised at an appropriate rate of return to reflect risk, specific investment demands and the overall condition of the structures.

Investments in equity, debt securities and unit trusts

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted closing market price at the reporting date.

The fair values of the financial assets were determined as follows:

- The fair values of listed or quoted investments are based on the quoted closing market price;
- The fair values of debt securities are based on the quoted closing market price as reflected on the Bond Exchange of South Africa. The securities are regularly traded on the active market; and
- The fair values of the unit trust investments are based on the quoted put (exit) price provided by the fund manager.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The carrying amount of short-term trade and other receivables at amortised cost is believed to approximate their fair values.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Interest-bearing loans and borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The interest rate used for determining the fair value is the prime interest rate.

Trade and other payables

All trade and other payables are of a short-term nature and the carrying value of trade and other payables at amortised cost is believed to approximate their fair value.

Cash and cash equivalents

The cash and cash equivalents held by the group are of a short-term nature and the fair value of positive bank balances and bank overdrafts is deemed to approximate the carrying amount.

8.1 Fair value of land and buildings

Land and buildings, which consist of a business premises situated on erf 2134, Ferndale, Johannesburg, are independently valued on an ad-hoc basis. The previous independent valuation was completed on 31 March 2017.

The property was valued by the company's directors at 31 March 2018.

The company's directors value the group's property on an annual basis.

An external, independent valuation company, having appropriate, recognised professional qualifications and recent experience in the locations and category of property being valued, also provides supporting information used in the annual directors' valuation process. The fair values are based on valuations and other market information that take into consideration the estimated rental value and depreciated replacement value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. The valuation was based on a combination of the income capitalisation method and the depreciated replacement value for existing use. The directors assessed the residual value of the properties at 31 March 2018 and calculated that the residual value approximates the current carrying value. No depreciation has therefore been recognised in

the current or prior period in respect of the property.

Fair value hierarchy

Figures in R'000	Level 1	Level 2	Level 3	Total
Land and buildings - 2018	-	-	16 146	16 146
Land and buildings - 2017	-	-	16 146	16 146

The valuation techniques to fair value assets and liabilities in Level 3:

Assets	Method	Major assumptions
Land and buildings	Income capitalisation method	Capitalisation rate Rental per square metre per Rhode report Vacancy factor

Figures in R'000	Land and buildings
Reconciliation of land and buildings at fair value in Level 3	
Balance at 1 April 2018	16 146
Fair value measurements	-
Balance at 30 September 2018	16 146

Sensitivity analysis

Land and buildings

Presented in the tables below is an analysis of the impact on the fair value of the property, per valuation method, for changes in the key valuation assumptions:

Figures in R'000	Capitalisation rate		
Income capitalisation method (%)	8,29	9,29	10,29
Rental (10% decrease)	14 900	13 300	12 000
Rental (rate per Rhode report)	17 800	15 900	14 400
Rental (10% increase)	20 700	18 500	16 700

	Depreciation rate		
Depreciated replacement cost method (%)	65,00	70,00	75,00
Building costs (3% decrease)	18 000	16 300	14 700
Building costs (rate per AECOM's African Property and Construction Handbook of 2017)	18 300	16 600	15 000
Building costs (3% increase)	18 700	16 900	15 200

The valuation for the financial year ended 31 March 2018 was based on a combination of the income capitalisation method and the depreciated replacement value for existing use. A 50% contribution rate per method was deemed appropriate by the directors.

The difference between the directors' valuation, R16,250 million, and the value attributed to the property in these interim financial statements, R16,146 million, was considered but not deemed to be material to warrant an adjustment in fair value.

8.2 Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. There were no transfers between the levels for the reporting period.

Level 1: Quoted market price in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Figures in R'000	Unaudited Six months ended 30 Sept 2018	Unaudited Six months ended 30 Sept 2017	Audited year ended 31 March 2018
Level 1			
Listed shares	16 193	14 650	11 340
Debt securities	10 078	2 001	1 998
Level 2			
Unit trusts	77 833	19 083	42 826
	104 104	35 734	56 164

8.3 Financial assets by category

The accounting policies for financial assets have been applied to the line items below:

Figures in R'000	Loans and receivable at amortised cost	Fair value through profit or loss - held for trading	Total
30 September 2018			
Loans and receivables	40 985	-	40 985
Investments	-	104 104	104 104
Trade receivables	358 782	-	358 782
Short-term deposits	11 437	-	11 437
Cash and cash equivalents	64 565	-	64 565
	475 769	104 104	579 873
30 September 2017			
Loans and receivables	47 671	-	47 671
Investments	-	35 734	35 734
Trade receivables	346 538	-	346 538
Short-term deposits	98 624	-	98 624
Cash and cash equivalents	66 655	-	66 655
	559 488	35 734	595 222
31 March 2018			
Loans and receivables	49 613	-	49 613
Investments	-	56 164	56 164
Trade receivables	357 497	-	357 497
Short-term deposits	53 985	-	53 985
Cash and cash equivalents	89 717	-	89 717
	550 812	56 164	606 976

The carrying amounts of the financial assets at amortised cost approximate their fair values.

8.4 Financial liability by category

The accounting policies for financial liabilities have been applied to the line items below:

Figures in R'000	Financial liabilities at amortised cost	Total
30 September 2018		
Trade and other payables	6 509	6 509
30 September 2017		
Trade and other payables	6 283	6 283
31 March 2018		
Trade and other payables	10 368	10 368

The carrying amounts of the financial liabilities at amortised cost approximate their fair values.

9. Results overview

9.1 Furniture segment

The retail segment is negatively affected by the fact that unemployment in South Africa is currently at a record high and that consumers remain under pressure due to the struggling local economy. The negative impact of the afore mentioned was exacerbated by the increase in Value Added Tax and the significant increase in fuel prices since April 2018, that furthermore eroded consumer spending power. Revenue decreased by 9% which in turn affected the profitability of the segment when compared to the prior period. All resources are being utilised and managed to reduce costs and enhance efficiency throughout all aspects within the segment.

9.2 Insurance and finance segment

The segment continued to deliver positive results during the six-month period ended 30 September 2018. The increase in profitability during the reporting period was caused by, amongst other contributing factors, the continued focus on excellent customer service as well as innovative, custom-made solutions being put forward to new and existing clients.

9.3 Holding company level

The company continued to invest in enhancing organisational structures and action plans to support its current and future business operations. An increase in costs resulted in decreased profitability for the six-month period ended 30 September 2018.

10. Prospects

Within a South African context, the risk of inflation is likely to increase due to the weaker Rand and higher fuel prices. Monetary policy tightening could become a reality and together with the forecast for slower economic growth over the medium term, the current financial pressures experienced by consumers could be protracted.

The board is confident that despite the economic, political and environmental challenges within the South African economy, the various segments are well placed to build on the results achieved in the first six months.

On behalf of the board

Gerard R de V Tromp
Group managing director

Eckhart H Prozesky
Group financial director

Randburg
30 November 2018

Contact information

Registered office of the company

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Company secretary

Veritas Board of Executors Proprietary Limited

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Auditor and reporting accountant

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Registration number: 1999/021543/21

KPMG Crescent

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Sponsor

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Registration No: 1999/012876/07

KPMG Crescent

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Directors

Barend J Willemse

Independent non-executive chairman

Gerard Swart

Independent non-executive director

John D Mandy

Independent non-executive director

Cornelius Johannes de Vrye

Independent non-executive director

Philippus J de W Tromp

Non-executive director

Nicolaas C Tromp

Non-executive director

Gerard R de V Tromp

Executive group managing director

Eckhart H Prozesky

Executive group financial director